Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2015 Regular Session

Part I: Measure Information

Bill Request #: 1214
Bill #: HB 426
Bill Subject/Title: An ACT relating to Area Development Districts.
Sponsor: Representative Susan Westrom
Unit of Government: x City x County x Urban-County Unified Local x Charter County x Consolidated Local x Government
Office(s) Impacted: fiscal court and governmental bodies
Requirement:x Mandatory Optional
Effect on Powers & Duties: x Modifies Existing x Adds New Eliminates Existing

Part II: Purpose and Mechanics

HB 426 requires the Department for Local Government to prepare a manual of requirements and training for area development districts (ADDs). It requires that each ADD executive director be chosen from a pool of candidates, and it sets forth requirements for the ADD local board and its staff. The bill amends KRS 147A.080 to clarify and delineate the board's authority, and also what a local board does not have authority to do. HB 426 requires the sharing of audits and financial information produced pursuant to KRS Chapter 65A, and it requires the Auditor of Public Accounts to do an audit every four years. Section 5 creates a new section of KRS Chapter 147A prohibiting an ADD from serving as both a fiscal agent and service provider.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 426 on cities and counties will vary depending on a local government's relationship to its Area Development District.

Area Development Districts are considered a special purpose government entity and, therefore, are not subject to the definition of local government for the purpose of

preparing a Local Mandate Fiscal Impact Estimate. Therefore, this analysis is only concerned with the fiscal impact of the bill's provisions on cities and counties.

HB 426 would potentially have some costs for cities and counties, related to both time and administration of the bill's provisions. **Those local governments most impacted would be the ones who are served by an ADD that currently serves as both a fiscal agent and service provider.** Since Section 5 requires the ADD to do one but not both functions, cities and counties would be required to seek alternative fiscal agents or service providers.

The Council of Area Development Districts (KCADD) states that Section 5 of HB 426 could have a negative impact on the Federal Area Agency on Aging designations, the Workforce Investment Act and the Joint Funding Agreement relationships, among others. In some parts of the Commonwealth, this is a necessity for the residents of the Commonwealth to be able to receive vital services. The KCADD observes that that vulnerable populations, disabled, and aging that rely on basic essential health related services could be at risk of having services disrupted or cancelled. The 60-day determination would have a negative impact on the provision of services, and in some instances would jeopardize current and future federal funding should such time frames be applicable and cause a disruption of access to services and programs.

In summary, over time, there may be costs or benefits to cities and counties, along with some administrative and service disruptions as various ADDs and their respective local governments seek alternative service providers and make choices and adjustments as required by the bill in general, and section 5 in particular.

Data Source(s): Kentucky Council of Area Development Districts, Kentucky Leauge of Cities.

Preparer: Hank Marks Reviewer: MCY Date: 2/23/15